

IRS News Release

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IRS Announces Electronic Filing Requirements for Large Corporations, Exempt Organizations

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WASHINGTON — The Internal Revenue Service released regulations today that require certain large corporations and tax-exempt organizations to electronically file their income tax or annual information returns beginning in 2006.

For tax year 2005 returns that are due in 2006, the regulations require that corporations with total assets of \$50 million or more file their Forms 1120 and 1120S electronically. In addition, tax-exempt organizations with total assets of \$100 million or more will be required to file their tax year 2005 Form 990 electronically.

Beginning in 2007, the electronic filing requirement will be expanded to include the tax year 2006 tax returns of corporations and tax-exempt organizations with \$10 million or more in total assets. In addition, private foundations and charitable trusts will be required to electronically file their Form 990-PF electronically regardless of their asset size.

The electronic filing requirements only apply to entities that file at least 250 returns, including income tax, excise tax, information and employment tax returns, during a calendar year.

“The use of technology through electronic filing can improve both our service and enforcement missions,” IRS Commissioner Mark W. Everson said. “Electronic filing will help speed tax processing and reduce audit cycle time. Taxpayers will benefit from electronic filing by resolving uncertainties earlier. This is important because audits, on average, take five years to complete for large corporations. Speeding processing also will help identify emerging trends and abuses earlier, enabling the IRS to address problems before they get out of hand.”

Although there are no current plans to make electronic filing mandatory for small business taxpayers, all taxpayers are strongly encouraged to adopt electronic filing. In addition, certain specialized forms that are not capable of being electronically filed, such as the Forms 1120REIT, 1120RIC, 1120F, 1120L, are not subject to these requirements.

The new electronic filing requirements provide a long lead time and phased implementation to give taxpayers and tax return software providers adequate time to

prepare for the change. Forms 1120 and 1120S are the corporate income tax returns. Form 990 is the annual information return for tax-exempt organizations, and Form 990-PF is the annual information return for private foundations and charitable trusts.

IRS representatives from the Large and Mid-Sized Business Division, the Tax-Exempt and Government Entities Division and Electronic Tax Administration will meet with various groups, including software developers and tax practitioners, to help taxpayers prepare to electronically file their 2005 returns.

By 2007, the IRS expects that more than 20,000 large corporate taxpayers and up to 10,000 tax-exempt entities will be covered by the electronic filing requirement.

The IRS Business Systems Modernization program introduced a new electronic filing system for Forms 1120 and 990 in March 2004. The new system, known as Modernized e-File, earned the Government Choice Award as the best e-government solution at the E-Gov Institute's Annual Government Solutions Forum in June 2004. Federal, state and local government peers chose the project as the showcase example of a project that improves government services, streamlines operations or enhances homeland security.

Links:

- Plain Language Regulations — <http://www.irs.gov/taxpros/article/0,,id=132756,00.html>
- Government Solutions Forum — <http://www.e-gov.com/events/2004/gsf/expo/gsc.asp>
- IRS Introduces e-file for Corporations, Exempt Organizations — <http://www.irs.gov/newsroom/article/0,,id=121573,00.html>
- More information about e-filing — <http://www.irs.gov/efile/index.html>